

Message Text

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16

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 TRSE-00 AID-20 EUR-25

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 SAM-01 DRC-01

OMB-01 IO-14 /162 W

----- 101203

R 080905Z FEB 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 920

UNCLAS MANILA 1506

E.O. 11652: N/A

TAGS: EFIN, RP

SUBJ: GOP REDUCES TAXES ON NON-RESIDENT FOREIGN
CORPORATIONS

1. GOP HAS AMENDED INTERNAL REVENUE CODE (SECTION 24.B) BY PRESIDENTIAL

DECREE 369 TO PROVIDE FOR REDUCTION IN TAX ON THE TRANSFER OF
INTERCOMPANY DIVIDENDS FROM 35 PERCENT TO 15 PERCENT. PER-
TINENT LANGUAGE OF AMENDMENT READS AS FOLLOWS:

QUOTE ON DIVIDENDS RECEIVED FROM A DOMESTIC CORPORATION
LIABLE TO TAX UNDER THIS CHAPTER, THE TAX SHALL BE 15 PERCENT
OF THE DIVIDENDS RECEIVED...SUBJECT TO THE CONDITION THAT
THE COUNTRY IN WHICH THE NONRESIDENT FOREIGN CORPORATION
IS DOMICILED SHALL ALLOW A CREDIT AGAINST THE TAX DUE
FROM THE NONRESIDENT FOREIGN CORPORATION, TAXES DEEMED
TO HAVE BEEN PAID IN THE PHILIPPINES EQUIVALENT TO 20
PERCENT WHICH REPRESENTS THE DIFFERENCE BETWEEN THE REGULAR
TAX (35 PERCENT) ON CORPORATIONS AND THE TAX (15 PERCENT)
ON DIVIDENDS AS PROVIDED IN THIS SECTION. END QUOTE.

2. WE BELIEVE AMENDMENT WILL NOT BENEFIT AMERICAN
SUBSIDIARIES OR INVESTORS IN PHILIPPINES TRANSFERRING
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DIVIDENDS TO HOME OFFICES IN THE U.S. SINCE IT OUR

UNDERSTANDING THAT U.S. LAW DOES NOT PROVIDE FOR THE
20 PERCENT ADDITIONAL TAX CREDIT EXCEPT WHEN INCORPORATED
INTO A DOUBLE TAXATION AGREEMENT. WOULD APPRECIATE
DEPARTMENT'S COMMENTS.

3. DECREE WOULD APPEAR PROVIDE ADDITIONAL INCENTIVE FOR
CONCLUSION OF DOUBLE TAXATION TREATIES WITH PHILIPPINES.
GOP HAS BEGUN TALKS WITH CANADA ON TAX TREATY AND
EXPECTS UNDERTAKE FORMAL NEGOTIATIONS IN OTTAWA LATER
IN YEAR.

4. TEXT OF DECREE TRANSMITTED BY AIRGRAM.
SULLIVAN

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NNN

Message Attributes

Automatic Decaptioning: X
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Draft Date: 08 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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Film Number: n/a
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Handling Restrictions: n/a
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30 JUN 2005

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